

Message Text

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ACTION NEA-12

INFO OCT-01 ADP-00 EB-11 FRB-02 AID-20 NSC-10 RSC-01

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SUBJECT: POSSIBLE RE-OPENING OF ARAB BANK ON WEST BANK

REF: JERUSALEM A-10 AND A-45, FEBRUARY 14 AND MAY 15, 1973

SUMMARY: RECENT ARAB DISCUSSIONS WITH ISRAELIS ON RE-OPENING OF WEST BANK BRANCHES OF THE AMMAN-BASED ARAB BANK REPORTEDLY HAVE MADE CONSIDERABLE PROGRESS, RENEWING HOPES OF SUCCESSFUL CONCLUSION IN NEAR FUTURE. END SUMMARY

1. LOCAL ARAB AND ISRAELI PRESS IN PAST FEW DAYS HAVE BOTH REPORTED PROMISING PROGRESS DURING DISCUSSIONS BETWEEN WEST BANKERS, HEADED BY NABLUS MAYOR MAZOUZ EL-MASRI, AND BANK OF ISRAEL OFFICIALS ON RESUMPTION OF OPERATIONS ON WEST BANK AND IN EAST JERUSALEM OF BRANCHES OF THE ARAB BANK, CLOSED SINCE 1967. EL-MASRI, WHO AUTHORIZED BY BANK'S HEADQUARTERS IN AMMAN TO NEGOTIATE RE-OPENING, HAS REPORTED AGREEMENT ON "MORE THAN 80 PERCENT" OF POINTS UNDER DISCUSSION.

2. PRESIDENT OF JERUSALEM ARAB CHAMBER OF COMMERCE FAYEK BARAKAT
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CONFIRMS PRESS REPORTS IN GENERAL ALTHOUGH HE UNDERSTANDS ISRAELI

AUTHORITIES HAVE INDICATED DECISION WILL BE REACHED BY END OF YEAR WHILE EL-MASRI QUOTED AS EXPRESSING HOPE FOR DECISION BY END OF MONTH. BARAKAT UNDERSTANDS MANAGEMENT OF BANKS WILL BE INDEPENDENT OF AMMAN AND THAT PROBLEM OF EAST JERUSALEM BRANCH TO BE RESOLVED BY DESIGNATING IT AS SUB-BRANCH OF NABLUS BRANCH.

3. ONE OF PRINCIPAL ISSUES SAID TO BE PROBLEM OF GUARANTEES FOR DEPOSITORS IN EVENT LOAN FUNDS FIND THEIR WAY TO EAST BANK AND ARE NOT COLLECTIBLE. REPORTEDLY AGREEMENT BEING WORKED OUT UNDER WHICH ARAB BANK ASSETS ON WEST SIDE OF JORDAN WOULD BE REQUIRED TO EXCEED ITS DEPOSITS BY "A CERTAIN REASONABLE PERCENTAGE."

4. BUSINESS INTERESTS ON WEST BANK AND EAST JERUSALEM ARE ANXIOUS THAT AGREEMENT BE REACHED ENABLING ARAB BANK TO RE-OPEN, BELIEVING IT WOULD ENCOURAGE INCREASED COMMERCIAL ACTIVITY AND INDUSTRIAL DEVELOPMENT IN AREA. BRANCHES OF ISRAELI BANKS OPENED SINCE 1967 HAVE NOT FILLED VOID SINCE SOME ARABS RELUCTANT COMMIT THEIR FUNDS TO ISRAELI INSTITUTIONS AND SUCH PROBLEMS AS ISSUANCE OF DOCUMENTS IN HEBREW POSE OBSTACLES. BARAKAT SAYS IF CURRENT EFFORT TO RE-OPEN THE ARAB BANK DOES NOT SUCCEED, ATTEMPT WILL PROBABLY BE MADE TO ESTABLISH ENTIRELY NEW INDEPENDENT ARAB-OPERATED BANK.

4. COMMENT; APPARENT BREAKTHROUGH COMES AS SOMETHING OF SURPRISE (THOUGH WE SUSPECT THERE STILL REMAIN SUBSTANTIAL PROBLEMS). ONLY FEW MONTHS AGO OUR ARAB CONTACTS STRONGLY DISCOUNTED POSSIBILITY OF BANK'S OPENING MAINLY BECAUSE OF DIFFICULTY OVER STATUS OF EAST JERUSALEM BRANCH. IF BANK DOES INDEED OPEN, IT SHOULD PROVIDE SOME STIMULUS TO INVESTMENT, CONSTRUCTION, ETC., ON WEST BANK TO BENEFIT BOTH OF ARAB SOCIETY AND ISRAELI POLICY OF NORMALIZATION (AS WELL, PERHAPS, AS ISRAELI INVESTMENT BUDGET FOR WEST BANK, SUBJECT OF CURRENT INTRA-GOVERNMENT DEBATE).

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